

systems, especially small ones, frequently do not have the detailed cost records, extending back in time, that firms accustomed to cost-based regulation are in the practice of keeping." Arthur Andersen Declaration at 6. Second, the administrative burden of conducting cost-of-service analysis (not to mention performing the benchmark calculations) would be crushing for many small systems. See Declaration of Michael J. Pohl, attached hereto as Exhibit J; Declaration of Dean Wandry, attached hereto as Exhibit B. Thus, it would in many cases be impossible or impractical for small systems to provide a cost-of-service analysis, even if the necessary regulatory guidance were in place.

B. The Petitioners And Their Members Will Suffer Irreparable Harm If a Stay Is Not Granted.

1. The Administrative Burden is Crushing.

The Commission's regulatory program, under the present timetable, poses an unfair administrative and financial burden on the Petitioners and their members. These operators are currently shouldering exorbitant administrative costs in an effort to comply not only with the rate regulations, but also with the Commission's new regulations governing other aspects of their operations. For example, Fanch Communications mailed 1,259 letters to broadcasters by the May 3, 1993 deadline under the new signal carriage rules. The same operator mailed 2,271 notifications to broadcasters on June 1, 1993. And, since May, it has responded to hundreds of inquiries from broadcasters asking for clarification or additional information relating to signal carriage. Fanch must conclude more than 100 separate retransmission negotiations by October of this year. See Declaration of Dean Wandry, attached hereto as Exhibit B.

Retransmission consent requirements also impact on cable rate regulation calculations in another way. As noted by Prime Cable and Fanch Communications, their benchmark calculations are dependent on assumptions

about the number of channels of programming offered to subscribers, because the benchmark rates vary based on that factor. If these operators are not able to reach retransmission consent agreements with some broadcasters by October 6, 1993, these broadcast stations must be deleted from carriage at that time. That would, in turn, require adjustment of benchmark calculations and of rates. Until the retransmission consent negotiation process is completed, cable operators will not be able finally to conclude benchmark analyses. See Affidavit of Rudolph H. Green, attached hereto as Exhibit A; Declaration of Dean Wandy, attached hereto as Exhibit B.

With respect to rate regulation, the Petitioners have thus far had to expend inordinate amounts of time and devote substantial portions of their operating budgets in an effort to digest and implement the Commission's Report and Order and the related worksheets, instructions, forms, and other pronouncements concerning implementation of the Cable Act. Indeed, personnel who would otherwise be charged with handling other vital financial and administrative roles for the Petitioners have had to be diverted to the sole task of calculating benchmarks for their franchises by September 1, 1993. ACI Management, which operates 45 cable systems with an average size of 578 subscribers, has spent approximately \$22,700 on its efforts to understand the new rules under the 1992 Cable Act and implement their requirements. It will cost an additional \$34,000 to comply with new rules other than the rate regulations, and payroll increases as a result of the new regulatory requirements are expected to exceed 10 percent. Declaration of Vince King, attached hereto as Exhibit K.

Even with this dedication of substantial resources, many small system operators are finding it exceedingly difficult, if not impossible, to complete calculations of benchmarks in the time required. See Declaration of Michael J. Pohl, attached hereto as Exhibit J; Declaration of Dean Wandry,

attached hereto as Exhibit B. Given the substantial administrative and financial burdens that many Petitioners are encountering in calculating the benchmarks, it is plain that many of these cable operators could not muster the personnel or incur the high costs of commencing, let alone completing, cost-of-service analyses by September 1, 1993, even if the Commission had completed its cost-of-service analysis.

The burdens faced by small operators under the benchmarks are especially unwarranted, in view of the statutory admonition in Section 623(i) of the 1992 Cable Act instructing the Commission to design a regulatory system "to reduce the administrative burdens and cost of compliance for cable systems that have fewer than 1,000 subscribers." The experience of the Coalition and CATA members highlights the extent to which the Commission has failed to meet this statutory requirement.

2. The Petitioners Cannot Rationally Decide What Regulatory Method to Employ.

Whatever burdens would fall on the Petitioners if the Commission had completed its cost-of-service rulemaking, the fact is that the rulemaking is only barely initiated, not concluded. The 51-page cost-of-service NPRM cannot possibly lead to a decision by September 1; the date for reply comments is September 14, 1993. The only advice given by the Commission regarding any cost-of-service showings to be made in the interim is that it intends to review cost-of-service showings "on a case-by-case basis under general cost-of-service principles." NPRM. at n.9. But, the question of how to apply "general cost-of-service principles" to cable television rates is the primary subject of the 51-page NPRM. In no way does this brief statement by the Commission amount to substantive advice to cable operators.

Thus, as of September 1, 1993, cable operators are left with a Hobson's choice of either reducing their rates based on the benchmarks that they know to be too low to permit them to operate profitably or staking their future on their ability to make a demonstration under hypothetical cost-of-service standards that higher rates are warranted, with the attendant risk that they will later be ordered to reduce rates below the benchmark. Because the FCC has threatened that any reduction of rates may require refunds back to the effective date of the rules (currently September 1, 1993), it is imperative that the effective date be stayed pending reconsideration of the benchmark rates and final promulgation of cost-of-service standards. In essence, the Commission has given all cable operators, including the Petitioners, no alternative but to reduce their rates to confiscatory levels or to take a blind stab at a cost-of-service showing that ultimately and retroactively could reduce rates even lower.

The Commission's Revised Implementation Order relies heavily on its preemption of certain notice requirements prior to September 1. But relieving cable operators of the obligation to give subscribers prior notice of changes in services and rates will not help the cable operator that (1) cannot complete its benchmark analyses by that time, (2) cannot make a decision regarding the advisability of relying on a cost-of-service analysis, or (3) does not know how many broadcast stations will consent to their being carried. Moreover, the suggestion that preempting notice requirements will help the cable operator ignores the

**3. Reducing Rates To The Levels Required By The
Benchmark System Would In Many Cases Increase
Systems' Losses and Cause Violations of Loan Covenants.**

The rates charged by many members of the Coalition and CATA on September 30, 1992, exceeded the benchmarks. With no opportunity to conduct a definitive cost-of-service analysis, many of these systems may be forced on September 1, 1993, to reduce their rates despite already suffering operating losses. For example, Fanch Communications operates a cable system in Greystone, Colorado, with 557 subscribers. In 1992 the system had revenues of \$207,984 and net income of \$9,398. If the system were to reduce its prices to the level required by the benchmark methodology, the system would have a net loss of \$7,838 in 1993. See Declaration of Dean Wandry, attached hereto as Exhibit B. For Triax's system in Wilsonville, Illinois, serving 98 subscribers, the reduction in revenues received under the benchmark analysis would increase the system's current annual net loss from \$10,400 to \$14,800. That loss would mean that not only was the Wilsonville system not recovering any amount of its depreciation, but its revenues also would not fully cover its annual interest requirements. See Declaration of Jay Busch, attached hereto as Exhibit I. Finally, ACI Management operates a group of small cable systems in Texas, with an average of 266 subscribers per system. These systems currently experience a net cash loss of \$0.91 a subscriber each month. 25/ Under the FCC's benchmark analysis, the systems would have a net cash loss per month per subscriber of \$3.32. See Declaration of Vince King, attached hereto as Exhibit K. This reduction in cash flow would create a violation of the systems'

25/ The systems have average revenue of \$30.41 per subscriber per month and average operating expenses of \$22.81, average interest expenses of \$5.69, average principal reduction requirements of \$0.94 and average routine capital costs of \$1.88.

forbearance agreement from their lenders. As stated by Mr. King, "such violations could cause the systems to go into bankruptcy, and ultimately cause deactivation of the systems." Id.

It is not only small systems that would face serious financial problems if they were to comply with benchmark-mandated reductions. Prime Cable, which owns and operates a cable television system serving the Anchorage, Alaska area, would be forced to comply with the benchmarks even though its operational costs far exceed those typical of cable companies in the "lower 48". See Affidavit of Rudolph H. Greene, attached hereto as Exhibit A, at ¶ 5. Under the benchmark system, it will have to reduce its rates by \$3.80 resulting in a reduction of revenues of nearly \$846,000 in the three month period from September 1, 1993, to December 31, 1993. Id. at ¶ 3. In the event Prime Cable is forced to reduce its rates under the benchmark system, it anticipates that it will be in default of its debt to cash flow ratio covenant of its loan agreement, in which case its lender may accelerate the entire outstanding principal amount of Prime Cable's loan. Id. at ¶ 4.

4. Lost Revenues As A Result of Premature
Rate Regulation Cannot Later Be Recovered

If cable systems reduce their rates to benchmark levels, they cannot recover any lost revenue from either their franchise authorities or subscribers if the benchmarks are later found to be arbitrary and unlawful. The cable operators will

raise its rates later to make up for a prior shortfall would undoubtedly meet with significant subscriber resistance even if it were permitted by rate regulation authorities. And there is no party the cable operator can sue to recover its lost revenues. Subscriber revenues lost by premature reliance on faulty benchmarks will never be recovered.

In enacting the 1992 Cable Act, Congress was obviously concerned that cable operators be permitted to realize a reasonable rate of return on their investment. Section 623(b), for example, requires the FCC to take into account costs and a "reasonable profit" in setting rates. That congressional concern, of course, is grounded in constitutional considerations, for the Supreme Court has long held that if regulated rates are so low as to be confiscatory, an unconstitutional taking occurs. See Duquesne Light Co. v. Barasch, 488 U.S. 299, 307-08 (1989). Accordingly, where, as here, Congress has mandated that rates be "reasonable," the Court has held that the congressional standard "coincides with that of the Constitution." FPC v. Natural Gas Pipeline Co., 315 U.S. 575, 586 (1942). "By long standing usage in the field of rate regulation, the 'lowest reasonable rate' is one which is not confiscatory in the constitutional sense." Id. at 585.

Under both the constitutional and statutory standard, a reasonable rate "should be 'sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital'; the rate should also be 'commensurate with returns on investments in other enterprises having corresponding risks.'" Illinois Bell Tel. Co. v. FCC, 988 F.2d 1254, 1260 (D.C. Cir. 1993) (quoting FPC v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944)). Nothing in the Commission's rate regulation to date provides any assurance that cable operators will be able to maintain credit, attract capital, and realize commensurate returns. In adopting a cost-of-service alternative, the Commission itself recognized that the benchmarks will in many instances be inadequate as both a statutory and

constitutional matter. The inability of cable systems to later recover revenues unfairly lost under the benchmarks is plainly an irreparable injury.

C. Other Parties Will Not Be Harmed By A Stay

A stay of the Commission's rate regulation pending reconsideration and development of cost-of-service standards will not work substantial harm to other interested parties. Under the Commission's Stay Order, cable television rates may not be raised until November 15, 1993. After that date, any operators that choose to increase their regulated rates may be required to keep track of their revenues so that if the increase in rates is later held to be unjustified, refunds may be made back to the date of the increase.

Delay of the effective date of the rules, therefore, will not result in over-all harm to cable subscribers. To be sure, under an earlier implementation date, some subscribers would receive earlier rate reductions. But other subscribers, especially those in rural areas, would risk loss of their cable service altogether. Moreover, many subscribers have already unduly benefited from the rate freeze that has prevented justified rate increases on the part of many marginal, high-cost cable systems. There is, in short, no universal "cable subscriber" who will be helped or harmed by cable rate regulation. Any harm to subscribers from a delay in rate reductions, moreover, pales in comparison to the harm that would be visited on cable companies -- whose very existence may be at stake -- from immediate implementation of a far-reaching yet incomplete scheme of rate regulation. In addition, we submit that few subscribers would ultimately benefit from a system

as Exhibit K (increases in net losses that would result from compliance with regulation could result in loss of service to 2000 subscribers).

D. The Public Interest Requires That A Stay Be Granted.

For the reasons explained above, we further submit that the public interest in orderly and rational rate regulation, achieved in a lawful manner, compels the entry of a stay. 26/

III. THE COMMISSION SHOULD NOT EXTEND THE RATE FREEZE BEYOND NOVEMBER 15, 1993

The rate freeze which has been in effect since April 5, 1993, has unreasonably prevented many cable operators from raising their rates to meet spiraling costs. In many cases, cable systems' net losses have risen and important capital improvement projects have been placed on hold. The freeze should not be extended beyond its current expiration date of November 15, 1993.

The focus of the Commission has been on systems that may be charging rates higher than can be justified based on costs. But there are a number of cable operators in high cost areas -- especially the operators of smaller systems

26/ There are no procedural barriers in the Cable Act that prohibit the Commission from staying the implementation of the rate regulations it set forth in its Report and Order and reconsidering the benchmarks it prescribed there. The only deadline Congress imposed on the Commission is contained in Section 623(b)(2), which required that the Commission prescribe regulations within 180 days from the enactment of the Cable Act (October 5, 1992). When the Commission adopted its Rate Report and Order on April 1, 1993, it satisfied Congress' 180-day deadline. Nowhere in the Cable Act did Congress require that the Commission also make its regulations effective by April 5, 1993, or even October 1, 1993, as evidenced by the fact that the Commission did not even release its Report and Order until May 3, 1993. Since the Commission satisfied its responsibility to timely prescribe regulations, it is not operating under any further statutory deadlines. Accordingly, the Commission is free to, and indeed must, stay the implementation

with a low density of subscribers -- that were operating at a significant net loss before the rate freeze went into effect. Many of these operators are finding it increasingly difficult to cope with ever-rising costs. Douglas Cable Communications, L.P. ("DCCLP"), for example, operates 316 cable systems in the mid-west serving approximately 60,000 subscribers -- with an average of 190 subscribers per system. In the first six months of 1993, DCCLP's plant operation's expense rose 7.74 percent over the first six months of 1992. Programming expenses rose 12.12 percent, and total operating expenses rose 6.16 percent. In all, DCCLP's net loss before taxes rose by \$95,575 in the first half of the year, a rise of 5.77 percent. See Declaration of Michael J. Pohl, attached hereto as Exhibit J. In addition to increasing DCCLP's losses at an alarming rate, the rate freeze has caused the company to defer scheduled capital expenditures of more than \$1.5 million. Id.

DCCLP's situation is by no means unique. ACI Management reports that its Brookshire, Texas, systems, which serve approximately 2,000 subscribers in systems averaging 152 subscribers, have experienced basic programming cost increases of 3.7 percent, state employment tax increases of 52 percent, and employee health insurance cost increases of almost 100 percent. Declaration of Vince King, attached hereto as Exhibit K. In addition, the Brookshire systems have had large expenditures related to compliance with other provisions of the 1992 Cable Act. These systems were already suffering a net cash loss (without regard to depreciation or amortization). Id. Obviously, systems such as these must be permitted to raise rates.

Accordingly, we request the Commission, in granting a stay of the rate regulations, not to extend the freeze. Instead, the Commission should allow cable systems to increase their rates, subject to later rollbacks and refunds, if the increases are found not to be justified.

IV. CONCLUSION

For the reasons stated herein, the Coalition of Small System Operators, Prime Cable and CATA request that a stay of the effective date of the Commission's regulations be granted.

Respectfully submitted,

THE COMMUNITY ANTENNA
TELEVISION ASSOCIATION, INC.

By: _____
Stephen R. Effros
James H. Ewalt
Robert J. Unger

3950 Chain Bridge Road
Fairfax, Virginia
(703) 691-8875

Dated: July 28, 1993

THE COALITION OF SMALL
SYSTEM OPERATORS, AND
PRIME CABLE OF ALASKA,
L.P.

By: _____
Gardner F. Gillespie
David G. Leitch
David M. Tyler, Jr.
Jacqueline P. Cleary
James J. Moore

Hogan & Hartson
555 Thirteenth Street, N.W.
Washington, D.C. 20004
(202) 637-5600

Their Attorneys

TABLE OF EXHIBITS

	<u>Exhibit</u>
Affidavit of Rudolph H. Green	A
Declaration of Dean Wandry	B
FCC News Release	C
Letter to Chairman Quello from Senator Daniel K. Inouye of June 16, 1993	D
Letter to Chairman Quello from Congressman Edward I. Markey	

Exhibit A

A F F I D A V I T

STATE OF TEXAS

§

COUNTY OF TRAVIS

§

I, Rudolph H. Green, am the duly elected and qualified Vice President of Prime Cable Fund I, Inc., general partner of Prime Cable of Alaska, L.P. ("Prime Cable") and have served in such capacity at all times relevant for the facts set forth herein. I am submitting this Affidavit in support of the request of Prime Cable for a stay of the implementation of the rules and regulations of the Federal Communications Commission (the "FCC") relating to rate regulation, and aver as follows:

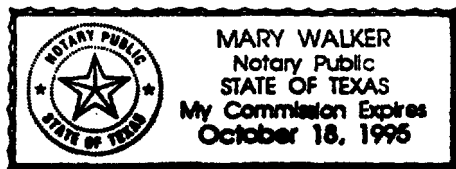
1. "Prime Cable owns and operates a cable television system serving Anchorage, Alaska and surrounding areas. As of June 30, 1993, this cable system provided service to 51,121 subscribers."
2. "Applying the methodology prescribed by the FCC in its benchmark formula for determining whether Prime Cable's rates are reasonable, Prime Cable management has determined that its current aggregate rate for basic service and cable programming service in Anchorage is \$31.76. Prime Cable management has determined that the aggregate rate for its basic cable service and cable programming service prescribed by the FCC benchmark formula is \$27.96. Accordingly, in order to comply with the FCC prescribed rate formula, Prime Cable would have to reduce the aggregate rate for its basic cable service and cable programming services by \$3.80."
3. "Prime Cable management has determined that a reduction in the aggregate rate for basic and programming service described above would result in a reduction in projected revenues of approximately \$846,000 from September 1, 1993 thru December 31, 1993, and a reduction in cash flow of approximately \$838,000 over the same period."
4. "Prime Cable's loan agreement with its bank lenders requires that it maintain a debt to cash flow ratio of 6.75 for each of the third and fourth calendar quarters of 1993. Based on operational results to date, Prime Cable management believes that it would meet this debt to cash flow requirement in the absence of rate regulation. However, Prime Cable management anticipates that with the reduction in its cash flows described above, its debt to cash flow ratio will increase to at least 6.95 for the third quarter of 1993 and at least 7.25 for the fourth quarter, thereby causing it to be in default of its debt to cash flow ratio loan

covenant in each of these quarters. Under the terms of Prime Cable's loan agreement, the lenders may cause the entire outstanding principal amount of the loan to be accelerated if Prime Cable violates any of its loan covenants. In addition, if the rates determined by the benchmark formula or the FCC benchmark formula are later struck down or revised, Prime Cable believes that it will not be able to recover the lost revenue from its subscribers or otherwise."

5. "Although Prime Cable's costs in Alaska are considerably higher than the costs for the typical cable system in the lower 48 states, the benchmark formula or benchmark system does not account for these higher costs. To the best of our knowledge, no Alaska cable systems were used in the data that the FCC relied on in establishing its benchmarks. The only way under the FCC's rules that Prime Cable may obtain consideration of these higher costs and to avoid violating its loan covenants is to rely on a "cost-of-service" showing. But the FCC has threatened that any cable operator, such as Prime Cable, that relies on a cost-of-service showing may have its rates reduced even further than under the benchmark system. The FCC has not yet established the standards that it will use in evaluating cost of service showings. Because of the uncertainty of the current situation, Prime Cable is unable to make a rational decision until the Commission establishes its cost-of-service standards. Any effective date before the cost-of-service standards are established would create this problem."
6. "Prime Cable's channel lineup will remain tentative until October 6, 1993, the

date when cable operators must begin carrying broadcast stations that have not

SWORN TO AND SUBSCRIBED BEFORE ME, by the said Rudolph H. Green, on this
the 27th day of July, 1993.



Mary Walker
Notary Public in and for
TRAVIS County, State of Texas
My commission expires 10-18-95

Exhibit B

DECLARATION OF DEAN WANDRY

I, Dean Wandry, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information and belief:

1. My name is Dean Wandry. I am Vice President, Operations, Fanch Communications, Inc. Fanch and its affiliates operate 295 headends in approximately 494 franchise areas in thirteen states, and provide cable service to approximately 195,000 subscribers. Fanch's systems have an average of 661 subscribers.

2. Fanch operates a large number of cable systems that would be severely affected by application of the Federal Communications Commission's rate regulation benchmarks.

3. For example, Fanch operates a cable system in Greystone, Colorado. Fanch built the system in 1988-89 and currently provides 26 channels of non-premium video programming to 557 subscribers.

4. In 1992 the system had total revenues of \$207,984.

5. During the same period, the system experienced operating expenses of \$101,834. The depreciation for the system was \$62,000, and the interest expense for the system was \$34,752.

6. During 1992, therefore, the Greystone system had net income of \$9,398.

7. The FCC benchmark methodology would require Fanch to reduce the revenues from regulated services in the Greystone system by a total of \$18,744.

8. Fanch projects that for the next 12 months, it will have revenues of \$214,584, operating expenses of \$106,926, depreciation of \$62,000, interest expense of \$34,752, and a net profit of \$10,906.

9. Were Fanch to reduce its rates (and revenues) by that amount, the system would experience a net loss of \$7,838 for the next 12 months.

Cost to construct Basic Subscribers	<u>\$620,000</u> <u>863</u>			
		(A)		
	Actual	Original	Impact of	Revised
	1992	Budget	Regulation	Budget
		1993	1993	1993
Basic and Ancillary Revenue	\$174,372	\$180,872	(\$18,744)	\$162,228
Pay Revenue	\$33,812	\$33,812	\$0	\$33,812
Total Revenues	<u>\$207,984</u>	<u>\$214,584</u>	<u>(\$18,744)</u>	<u>\$195,840</u>
Operating Expenses	\$101,834	\$106,926	\$0	\$106,926
Depreciation	\$62,000	\$62,000	\$0	\$62,000
Interest (B)	\$34,752	\$34,752	\$0	\$34,752
Net Income (Loss)	<u>\$9,398</u>	<u>\$10,906</u>	<u>(\$18,744)</u>	<u>(\$7,838)</u>

(A) Assumes regulation for the entire year of 1993

(B) Interest is allocated on the ratio of cost to construct divided by total plant and intangible costs.

10. Under the FCC's rules and other pronouncements, Fanch must decide by September 1, 1993, whether to (i) shut the system down, ceasing service to 563 subscribers; (ii) reduce rates according to the FCC's benchmark methodology to the point where revenues do not cover all of the system's expenses; (iii) make a significant capital expenditure to increase the number of regulated channels in an effort to raise the permitted base rate; (iv) retain the existing rate structure based on a cost-of-service analysis. The FCC has not yet indicated what standards will be used for a cost-of-service showing for cable systems and has threatened that an attempt to justify rates by cost-of-service could result in a requirement that rates be reduced even below the benchmark rates, with refunds back to September 1, 1993.

11. In view of this threat, and the failure of the FCC to detail how cost-of-service showings may be made, Fanch does not have enough information to make an intelligent decision.

12. If Fanch were to reduce its rates under the benchmarks, the lost revenues could never be recovered, and the inability to meet the system's expenses would require serious consideration to shutting the system off. On the other hand, although Fanch believes that any reasonable cost-of-service analysis would justify the system's existing rates (and even a substantial increase), Fanch has no assurance at this time that what it considers a reasonable cost-of-service analysis will be employed. And the FCC has indicated that cable systems (including Fanch) may be required to make a refund to

subscribers back to September 1, 1993, for any charges above

were available therefore Fench would not be able to make

stations. If this consent is not obtained, Fanch will likely provide fewer channels of programming service than reflected in its benchmark calculations, and the calculations and rate will probably have to be revised. It is essential that Fanch be given some time after retransmission consent negotiations close after October 6 to make final decisions on channel lineups and benchmark rates.

17. In addition, to meet benchmark requirements, Fanch would be required to add channels to its programming services to preserve essential cash flow and to meet "must carry" requirements. At this point, Fanch anticipates the need to add more than 700 channels, at a cost of \$1500 to \$2000 each. The total expenditure to increase the number of channels on its systems to meet the benchmark requirements is thus in the range of \$1 to \$1.4 million. Without further knowledge of what revisions the FCC will make in its benchmarks on reconsideration, and without knowing what cost-of-standards will be applied, Fanch cannot reasonably decide whether to invest in these additional channels of programming or not.

Dean Wandry

Date: _____

1023G

Exhibit C



NEWS

FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N.W.
WASHINGTON, D.C. 20554

News media information 202 / 632-5050
Recorded listing of releases and texts
202 / 632-0002

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

July 20, 1993

FCC Announces Intent to Move Cable Rate Regulation Date to September 1st from October 1st

Consistent with conference report language in the appropriations legislation, the FCC stated today that it intends to move the effective date of cable rate regulation including refunds up to September 1st from October 1st. This should permit consumers to benefit more promptly from the rate provisions of the Cable Act.

Chairman James H. Quello stated the September 1st date presents the Commission with an administrative burden, but is consistent with the new date for rate relief set by Congress when it approved the \$11.5 million supplemental appropriation. Congress, in approving the additional funds on July 6, directed the FCC to begin enforcing its cable rate rules September 1st rather than October 1st, effectively countermanding an FCC decision for an October 1st starting date. In response to the supplemental appropriations, the FCC has begun the process of expeditiously hiring new employees.

Quello also stated "Our proposal to move the date was influenced in part by the possibility that the Congressional advocates of the September 1 date could express displeasure by cutting FCC's future funding to administer the Cable Act."

The FCC will continue to keep cable rate regulation on a fast track according to Chairman Quello. "We will do the best we can using personnel and resources from other key FCC bureaus and we will expedite the hiring and training processes." The Commission must be ready to begin processing certifications and subscriber complaints by September 1st and required forms will have to be printed and distributed on an expedited basis.

The Public Debt Bureau of the Treasury Department made an offer this week to the FCC which could partially relieve the FCC manpower shortage for a limited time. The bureau is moving to West Virginia and has volunteered to assign personnel, including a maximum of 30 accountants (GS 7-12), to the FCC for a 6 month detail. This appears to be an attractive offer since they are experienced government employees. However, they will need to be trained to address the unique aspects of cable regulation. The FCC is now reviewing the Standard Forms 171 of these employees to determine their qualifications.

(over)